

**Planned Parenthood
of Louisiana and the Mississippi Delta, Inc.**

Financial Statements and
Independent Auditors' Report
for the fourteen months ended August 31, 2006
and for the year ended June 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-24-07

Blazek & Vetterling LLP

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of

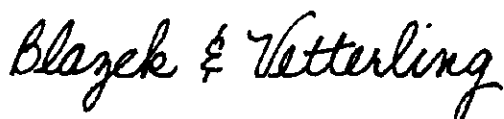
Planned Parenthood of Louisiana and the Mississippi Delta, Inc.:

We have audited the accompanying statements of financial position of Planned Parenthood of Louisiana and the Mississippi Delta, Inc. (Planned Parenthood) as of August 31, 2006 and June 30, 2005 and the related statements of activities, of cash flows, and of functional expenses for the fourteen months ended August 31, 2006 and the year ended June 30, 2005. These financial statements are the responsibility of the management of Planned Parenthood. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Planned Parenthood as of August 31, 2006 and June 30, 2005 and the changes in its net assets and its cash flows for the fourteen months ended August 31, 2006 and the year ended June 30, 2005 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued a report dated November 3, 2006 on our consideration of Planned Parenthood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the fourteen months ended August 31, 2006. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



November 3, 2006

Planned Parenthood of Louisiana and the Mississippi Delta, Inc.

Statements of Financial Position as of August 31, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents	\$ 477,150	\$ 305,264
Accounts receivable, net of allowance for uncollectible accounts of \$5,983 in 2006 and \$24,280 in 2005	7,198	57,480
Prepaid expenses	8,318	6,930
Pledges receivable (Note 2)	280,000	460,000
Property, net (Note 3)	<u>128,188</u>	<u>147,353</u>
TOTAL ASSETS	<u>\$ 900,854</u>	<u>\$ 977,027</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 42,984	\$ 52,413
Accrued salaries and benefits	47,017	22,574
Payable to affiliate	<u>24,441</u>	<u>114,000</u>
Total liabilities	<u>114,442</u>	<u>188,987</u>
Net assets:		
Unrestricted	454,265	182,685
Temporarily restricted (Note 4)	<u>332,147</u>	<u>605,355</u>
Total net assets	<u>786,412</u>	<u>788,040</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 900,854</u>	<u>\$ 977,027</u>

See accompanying notes to financial statements.

Planned Parenthood of Louisiana and the Mississippi Delta, Inc.

Statement of Activities for the fourteen months ended August 31, 2006

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE:			
Patient fees	\$ 825,697		\$ 825,697
Government contracts	<u>191,026</u>		<u>191,026</u>
Net patient services	1,016,723		1,016,723
Contributions	176,438	\$ 423,814	600,252
Interest income	10,184		10,184
Other income	<u>878</u>		<u>878</u>
Total revenue	1,204,223	423,814	1,628,037
Net assets released from restrictions:			
Program expenditures	<u>697,022</u>	<u>(697,022)</u>	
Total	<u>1,901,245</u>	<u>(273,208)</u>	<u>1,628,037</u>
EXPENSES:			
Program services:			
Patient services	1,142,824		1,142,824
Community services	<u>150,553</u>		<u>150,553</u>
Total program services	1,293,377		1,293,377
Management and general	234,129		234,129
Fundraising	84,067		84,067
National organization dues	<u>18,092</u>		<u>18,092</u>
Total expenses	<u>1,629,665</u>		<u>1,629,665</u>
CHANGES IN NET ASSETS	271,580	(273,208)	(1,628)
Net assets, beginning of year	<u>182,685</u>	<u>605,355</u>	<u>788,040</u>
Net assets, end of year	<u>\$ 454,265</u>	<u>\$ 332,147</u>	<u>\$ 786,412</u>

See accompanying notes to financial statements.

Planned Parenthood of Louisiana and the Mississippi Delta, Inc.

Statement of Activities for the year ended June 30, 2005

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE:			
Patient fees	\$ 570,975		\$ 570,975
Government contracts	<u>370,597</u>		<u>370,597</u>
Net patient services	941,572		941,572
Contributions	248,323	\$ 266,705	515,028
Interest income	2,002		2,002
Other income	<u>4,219</u>		<u>4,219</u>
Total revenue	1,196,116	266,705	1,462,821
Net assets released from restrictions:			
Program expenditures	<u>240,630</u>	<u>(240,630)</u>	
Total	<u>1,436,746</u>	<u>26,075</u>	<u>1,462,821</u>
EXPENSES:			
Program services:			
Patient services	1,026,056		1,026,056
Community services	<u>82,235</u>		<u>82,235</u>
Total program services	1,108,291		1,108,291
Management and general	281,184		281,184
Fundraising	138,679		138,679
National organization dues	<u>14,410</u>		<u>14,410</u>
Total expenses	<u>1,542,564</u>		<u>1,542,564</u>
CHANGES IN NET ASSETS	(105,818)	26,075	(79,743)
Net assets, beginning of year	<u>288,503</u>	<u>579,280</u>	<u>867,783</u>
Net assets, end of year	<u>\$ 182,685</u>	<u>\$ 605,355</u>	<u>\$ 788,040</u>

See accompanying notes to financial statements.

Planned Parenthood of Louisiana and the Mississippi Delta, Inc.

Statements of Cash Flows for the fourteen months ended August 31, 2006
and the year ended June 30, 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (1,628)	\$ (79,743)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	19,165	17,369
Changes in operating assets and liabilities:		
Accounts receivable	50,282	15,412
Inventory		13,826
Prepaid expenses	(1,388)	(3,413)
Pledges receivable	180,000	57,192
Accounts payable	(9,429)	(27,062)
Accrued salaries and benefits	24,443	(40,861)
Payable to affiliate	<u>(89,559)</u>	<u>114,000</u>
Net cash provided by operating activities	<u>171,886</u>	<u>66,720</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property		<u>(8,606)</u>
Net cash used by investing activities		<u>(8,606)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	171,886	58,114
Cash and cash equivalents, beginning of year	<u>305,264</u>	<u>247,150</u>
Cash and cash equivalents, end of year	<u>\$ 477,150</u>	<u>\$ 305,264</u>

See accompanying notes to financial statements.

Planned Parenthood of Louisiana and the Mississippi Delta, Inc.

Statement of Functional Expenses for the fourteen months ended August 31, 2006

<u>EXPENSES</u>	<u>PATIENT SERVICES</u>	<u>COMMUNITY SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries	\$ 372,600	\$ 99,590	\$ 24,456	\$ 17,329	\$ 513,975
Affiliate management expenses	281,410	17,965	47,330	26,520	373,225
Medical supplies	124,387				124,387
Occupancy	80,633	4,682	9,388	9,388	104,091
Maintenance, repairs and equipment	64,532	1,982	12,389	3,720	82,623
Advertising			75,318		75,318
Employee benefits	36,839	4,867	4,814	11,792	58,312
Professional fees	10,090	4,598	38,474	1,225	54,387
Laboratory fees	41,881				41,881
Insurance	20,036	1,672	7,758	2,413	31,879
Travel	12,293	5,142	2,702	3,888	24,025
Telecommunications	16,523	1,513	2,692	2,303	23,031
Depreciation	16,834	1,204	564	563	19,165
Bank fees	13,926		760		14,686
Office supplies	11,335	1,746	758	214	14,053
Clinic supplies	10,771				10,771
Postage and delivery	6,511	667	1,180	2,087	10,445
Meetings, conferences, and training	1,556	2,335	5,042	996	9,929
Bad debt expense	8,515				8,515
Medical fees	8,249				8,249
Other	<u>3,903</u>	<u>2,590</u>	<u>504</u>	<u>1,629</u>	<u>8,626</u>
Total	<u>\$ 1,142,824</u>	<u>\$ 150,553</u>	<u>\$ 234,129</u>	<u>\$ 84,067</u>	1,611,573
National organization dues					<u>18,092</u>
Total expenses					<u>\$ 1,629,665</u>

See accompanying notes to financial statements.

Planned Parenthood of Louisiana and the Mississippi Delta, Inc.

Statement of Functional Expenses for the year ended June 30, 2005

<u>EXPENSES</u>	<u>PATIENT SERVICES</u>	<u>COMMUNITY SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries	\$ 476,708	\$ 38,134	\$ 114,311	\$ 44,756	\$ 673,909
Affiliate management expenses	91,200	5,700	11,400	5,700	114,000
Medical supplies	42,307				42,307
Occupancy	70,944	4,810	28,011	4,811	108,576
Maintenance, repairs and equipment	34,050	4,766	8,696	2,663	50,175
Advertising			16,565		16,565
Employee benefits	79,938	7,724	27,216	6,610	121,488
Professional fees	7,226	5,734	47,758	53,131	113,849
Laboratory fees	31,355				31,355
Insurance	29,325	695	3,284	642	33,946
Travel	15,393	4,157	3,845	5,404	28,799
Telecommunications	13,821	2,773	3,519	2,270	22,383
Depreciation	10,769	1,563	4,169	868	17,369
Bank fees	8,964	17	2,096	388	11,465
Office supplies	18,055	832	6,135	1,242	26,264
Clinic supplies	15,488				15,488
Postage and delivery	7,657	4,863	1,858	2,430	16,808
Bad debt expense	54,095				54,095
Medical fees	7,617				7,617
Printing and publications	10,044	467	420	7,536	18,467
Other	<u>1,100</u>	<u></u>	<u>1,901</u>	<u>228</u>	<u>3,229</u>
Total	<u>\$ 1,026,056</u>	<u>\$ 82,235</u>	<u>\$ 281,184</u>	<u>\$ 138,679</u>	1,528,154
National organization dues					<u>14,410</u>
Total expenses					<u>\$ 1,542,564</u>

See accompanying notes to financial statements.

Planned Parenthood of Louisiana and the Mississippi Delta, Inc.

Notes to Financial Statements for the fourteen months ended August 31, 2006
and for the year ended June 30, 2005

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Planned Parenthood of Louisiana and the Mississippi Delta, Inc. (Planned Parenthood), founded in 1983, is a Louisiana nonprofit corporation that provides comprehensive and complementary reproductive and sexual health care services to men and women in the New Orleans, Baton Rouge, and the Mississippi Delta areas. Planned Parenthood is an affiliate of Planned Parenthood Federation of America, Inc. (PPFA) and operates in accordance with its Standards of Affiliation. Planned Parenthood's mission is to provide confidential, comprehensive, reproductive, and complementary health services for the women and men of Louisiana in accordance with their own personal beliefs; to provide education that enhances personal and social understanding of human sexuality as an integral part of human life; to advocate for public policies, which guarantee reproductive rights, essential privacy, and the health and well-being of individuals, and ensure the ability to exercise these rights and access to such services.

During 2005, Planned Parenthood entered into a management agreement with Planned Parenthood of Houston and Southeast Texas, Inc. (PPHSET) to manage its operations. Effective July 1, 2006, Planned Parenthood's bylaws were amended to reflect PPHSET as its sole member.

Tax status – Planned Parenthood is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2). It is also exempt from Louisiana income tax under the authority of R.S.47:121(5).

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Cash and cash equivalents include bank deposits and liquid financial instruments with original maturities of less than three months. At times, bank deposits exceed the federally insured limit of \$100,000 per depositor per institution. Cash equivalents include money market funds totaling \$328,128 and \$173,500 at August 31, 2006 and June 30, 2005, respectively.

Allowance for uncollectible accounts – An allowance for accounts receivable is provided when it is believed accounts may not be collected in full. The amount of bad debt expense recorded each period and the resulting adequacy of the allowance at the end of each period are determined using historical loss experience and specific account identification.

Pledges receivable due within one year are recorded at net realizable value. Pledges receivable expected to be collected in future years are recorded at the present value of the expected future cash flows if material.

Property is stated at cost or, in the case of contributed property, at the estimated fair value as of the date of gift. Expenditures that materially increase values or extend useful lives are capitalized. Depreciation is provided using the straight-line method over estimated useful lives of 3 to 20 years.

Net patient service revenue – Planned Parenthood has agreements with third-party payors that provide for payments at rates different from Planned Parenthood's established rates. Payment arrangements include cost reimbursement and discounted charges. Net patient service revenue is reported at the established net realizable amounts due from patients, third-party payors, and others.

Charity care – Planned Parenthood provides care without charge or at reduced rates to patients who meet certain criteria under its charity care policy. Planned Parenthood does not pursue collection of amounts determined to qualify as charity care, and such amounts are not reported as revenue. Charity care provided during 2006 and 2005 was approximately \$52,330 and \$13,400, respectively.

Government contracts are recognized as revenue when the related services are provided. In accordance with the terms of certain government contracts, the records of Planned Parenthood are subject to audit for varying periods after the date of final payment of the contracts. Planned Parenthood is liable for any disallowed costs; however, management believes that the amount of costs disallowed, if any, would not be material to the financial statements.

Contributions are recorded as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted support. Conditional contributions are included in revenue when the conditions are substantially met.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the reported revenues and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable at August 31, 2006 are expected to be collected as follows:

2007	\$ 130,000
2008-2009	<u>150,000</u>
Total pledges receivable	<u>\$ 280,000</u>

NOTE 3 – PROPERTY

The major components of property are as follows:

	<u>2006</u>	<u>2005</u>
Furniture, fixtures, and equipment	\$ 100,222	\$ 206,974
Leasehold improvements	<u>118,330</u>	<u>170,889</u>
Total property, at cost	218,552	377,863
Accumulated depreciation	<u>(90,364)</u>	<u>(230,510)</u>
Property, net	<u>\$ 128,188</u>	<u>\$ 147,353</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2006</u>	<u>2005</u>
General operations in future periods	\$ 250,000	\$ 516,973
Community-based programs	82,147	
Property and equipment acquisitions		<u>88,382</u>
Total temporarily restricted net assets	<u>\$ 332,147</u>	<u>\$ 605,355</u>

NOTE 5 – EMPLOYEE BENEFIT PLANS

Planned Parenthood participates in the PPFA defined contribution retirement plan. Employees may contribute to the plan on the first day of any month following their first day of employment. Employer matching contributions for employees begin on the first month after an employee is 19 years old and has completed one year of service and 1,000 hours. Planned Parenthood makes a matching contribution of fifty percent of the first six percent of each participant's contribution to the plan. Planned Parenthood contributions to the plan totaled \$1,412 during 2006 and \$14,104 during 2005.

NOTE 6 – LEASE COMMITMENTS

Planned Parenthood leases office space and certain equipment under noncancelable operating leases. Rent expense was \$83,158 in 2006 and \$86,081 in 2005. Future minimum lease payments are as follows:

2007	\$ 56,931
2008	36,668
2009	<u>23,168</u>
Total	<u>\$ 116,767</u>

NOTE 7 – CONTINGENCIES

Planned Parenthood purchases professional and general liability insurance to cover medical malpractice claims. There are known claims and incidents that may result in the assertion of claims, as well as claims from unknown incidents that may be asserted arising from services provided. Management does not expect such claims to have a material adverse effect on Planned Parenthood's financial position.

Blazek & Vetterling LLP

CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees of
Planned Parenthood of Louisiana and the Mississippi Delta, Inc.:

We have audited the financial statements of Planned Parenthood of Louisiana and the Mississippi Delta, Inc. (Planned Parenthood) for the fourteen months ended August 31, 2006 and have issued our report thereon dated November 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting – In planning and performing our audit, we considered Planned Parenthood's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Planned Parenthood's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as item #06-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters – As part of obtaining reasonable assurance about whether Planned Parenthood's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Blazek & Vetterling

November 3, 2006

Planned Parenthood of Louisiana and the Mississippi Delta, Inc.

Schedule of Findings and Responses for the fourteen months ended August 31, 2006

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: ☒ unqualified ☐ qualified ☐ adverse ☐ disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weakness(es)? ☒ yes ☐ none

Noncompliance material to the financial statements noted? ☐ yes ☒ no

Federal Awards

Planned Parenthood of Louisiana and the Mississippi Delta, Inc. did not expend in excess of \$500,000 in federal financial assistance during the fourteen months ended August 31, 2006 and therefore, is exempt from the audit requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

Section II – Financial Statement Findings

Finding #06-1

Reportable condition: During 2005 and 2006, Planned Parenthood experienced significant financial difficulties, significant turnover in staff and management, and hardship related to a hurricane disaster. During the audit we noted that the daily clinic cash receipts process lacked appropriate segregation of duties and supervisory oversight and review of daily clinic transactions resulting in a weakness in internal controls.

Criteria: The management of Planned Parenthood is responsible for establishing and maintaining effective internal controls over cash receipts to reduce the risk of the misappropriations of assets.

Effect: Failure to adequately establish and maintain effective internal control adversely affects Planned Parenthood's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: Re-emphasize management's policies and procedures for daily clinic cash receipt reconciliations including such procedures as clinic supervisor approvals, reconciliation of differences between bank deposits and patient ledger receipts, and review of patient account adjustments.

Management response: During 2005, the board of directors of Planned Parenthood entered into a management agreement with Planned Parenthood of Houston and Southeast Texas, Inc. (Planned Parenthood Houston) and began reorganizing its operations. During 2006, these reorganization efforts resulted in significant operational changes and staff turnover in both health centers. Further, in late

August 2005, Planned Parenthood's operations were severely affected by Hurricane Katrina. Planned Parenthood's health center in New Orleans was shut down for nearly two months and was reopened and rebuilt over a several month period with a skeleton staff. Planned Parenthood's health center in Baton Rouge was impacted by a doubling in demand during a period of operational reorganization and staff turnover. Management believes the reportable conditions noted above were a direct result of the significant health center reorganization activities, staff turnover, and rebuilding efforts in the post-Katrina environment.

The following initiatives have been implemented to address the internal control weaknesses noted above.

- Monthly meetings have been established with health center managers and fiscal leadership that focus on financial issues and internal controls.
- Health center staff training will be provided to emphasize policies, procedures, and controls surrounding daily clinic cash receipts, reconciliations, and approvals.
- A patient billing system conversion is planned for the current year which will vastly improve health center reporting and reconciliation capabilities.
- During the interim period leading up to the system conversion, management will review the current patient billing system capabilities to determine if there is a cost-effective way to improve the reporting, review, and reconciliation of daily health center activity.

Management embraces the importance of maintaining effective internal controls and is committed to rebuilding and re-emphasizing the importance of a robust internal control structure in its health centers in Louisiana.

Summary Schedule of Prior Audit Findings

The following was the audit finding for the year ended June 30, 2005, required to be reported in accordance with Government Auditing Standards.

Finding #05-1

Reportable condition: During 2005, Planned Parenthood experienced significant financial difficulties and significant turnover in staff and management during the year. For the fiscal year ending June 30, 2005 we noted the following reportable conditions:

- Cash and other balance sheet accounts were not reconciled on a timely basis, resulting in weaknesses in internal control and financial reporting.
- Cash receipts and disbursements were not consistently recorded in the general ledger, resulting in inaccurate financial reporting.
- Key duties related to cash receipts and disbursements were not appropriately segregated, resulting in weaknesses in internal controls.
- There was an absence of appropriate reviews and approval of transactions, accounting records, and financial reports, resulting in weaknesses in internal controls.

Criteria: The management of Planned Parenthood is responsible for establishing and maintaining effective internal control over financial reporting.

Effect: Failure to adequately establish and maintain effective internal control over financial reporting adversely affects Planned Parenthood's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: Develop procedures to establish segregation of duties and maintain adequate internal controls over financial reporting.

Management response: As a result of the financial difficulties and management turnover described in the Reportable Condition noted above, during February 2005, the board of directors of Planned Parenthood of Louisiana and the Mississippi Delta, Inc. entered into a management agreement with Planned Parenthood of Houston and Southeast Texas, Inc. (Planned Parenthood Houston) to manage its operations. Upon execution of the management agreement it was discovered that several staff positions within the accounting department had turned over multiple times within the previous six months. Management believes that the reportable conditions noted above were a direct result of the significant turnover in accounting staff during the year. In connection with the management agreement, all accounting activities and responsibilities have been transferred to Planned Parenthood Houston and the following procedures have been put into place to re-establish effective internal control over financial reporting.

- Cash and all other balance sheet accounts are reconciled on a monthly basis in connection with the monthly financial closing process. Each month, cash and investment accounts are reconciled to bank statements; accounts receivable, accounts payable and property accounts are reconciled to accounting sub-ledgers, and all other balance sheet account activity is reviewed for reasonableness.
- The chart of accounts has been reviewed with all accounting staff to ensure consistent recording in the general ledger. Account coding is reviewed for accuracy by accounting staff responsible for accounts payable and by the accounting manager. Monthly financial statements are reviewed for reasonableness by the accounting manager and by management. All unusual balances and month-to-month variances are explained and documented to ensure accurate and consistent financial reporting.
- Key duties relating to cash receipts and cash disbursements have been segregated between accounting staff and the accounting manager. Check signing has been further segregated to include only senior management.
- Procedures have been put into place to ensure all payments and transactions are adequately approved by the applicable department managers and by senior management and the chair of the board of directors when transactions exceed a specified threshold. Accounting records are reviewed monthly in connection with the financial closing process and financial statements are distributed monthly to department managers and senior management. Financial information is also reviewed with the board of directors in connection with scheduled board meetings.

Management fully understands the importance of maintaining effective internal controls over financial reporting and is committed to ensuring ongoing compliance with the internal controls outlined above.

Management's 2006 follow-up response: Management has successfully implemented the internal controls noted above with regard to policies and procedures within the accounting department and related to financial reporting. However, as noted in management's response to Finding #06-01, work is ongoing to rebuild and refocus internal control efforts related to cash receipts in both health centers. Operational reorganization, staff turnover, and Hurricane Katrina have all adversely affected the control structure in both health centers and management is committed to working with health center staff to re-train and re-emphasize the controls necessary to safeguard its assets in Louisiana.